ARCHIVE

APPENDIX A

I

ANALYSIS OF PRINCIPAL CASES CONSTRUING 28 U.S.C. § 1338(b)

After enactment of 28 U.S.C. § 1338(b), the Sixth, Seventh and Eighth Circuits adhered firmly to their pre-codification views of pendent jurisdiction.

A. The Sixth Circuit Decisions

In the Sixth Circuit in *French Renovating Co.* v. *Ray Renovating Co.*, 170 F.2d 945 (6th Cir. 1948)—a decision rendered almost immediately after the passage of 28 U.S.C. § 1338(b)—the court stated at 947:

> "Before the District Court in such a case may accept jurisdiction of such non-federal causes of action, it must appear that both federal and non-federal causes *rest upon substantially identical facts.* Hurn v. Oursler, supra, 289 U.S. at page 246, 53 S.Ct. at pages 589, 590, 77 L.Ed. 1148."

In *Dann* v. *Studebaker-Packard Corp.*, 288 F.2d 201 (6th Cir. 1961) the doctrine of *French Renovating* was reaffirmed as follows at 215:

> ". . . If *'substantially identical facts'* [170 F.2d 947] will support both the local and federal theories of recovery, then *a single cause of action is presented. If, however, additional facts are necessary to support the local law theory,* then separate and distinct causes of actions are joined in the same complaint. Hurn v. Oursler, supra; American Fidelity & Cas. Co. v. Owensboro Milling Co., supra; French Renovating Co. v. Ray Renovating Co., supra."

While *Dann* was not a § 1338(b) case, it necessarily reflects the contemporary attitude of the Sixth Circuit with respect to pendent jurisdiction.[1]

As shown by the cases listed in Section II of this Appendix, *infra* at 13a, the district courts in the Sixth Circuit have consistently followed the "strict" construction of the statute in all those cases in which they have addressed themselves to the jurisdictional issue.

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[1] In Lyon v. Quality Courts United, 249 F.2d 790 (6th Cir. 1957) the Sixth Circuit considered the question of jurisdiction under Section 1338(b) over a claim of unfair competition which involved the *same facts* as a claim for trademark infringement with which it was joined. The situation was thus similar to that which confronted this Court in Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315 (1938).

In *Lyon* the Sixth Circuit stated at 795-6:

> "... The complaint also stated a claim of unfair competition which was closely related to the trade-mark claim, and of which the federal court therefore also had jurisdiction, irrespective of the diverse citizenship of the parties, 28 U.S.C.A. § 1338(b); Iowa Farmers Union v. Farmers' Educational & Coop. Union, 8 Cir., 1957, 247 F.2d 809, 819; Telechron, Inc. v. Parissi, 2 Cir., 1952, 197 F.2d 757, 759-761; Schreyer v. Casco Products Corp., 2 Cir., 1951, 190 F.2d 921, 923-924, certiorari denied, 1952, 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683."

It has been suggested by the Ninth Circuit (see, *infra* at 7a) that in *Lyon* the Sixth Circuit adopted the "broad" view of 28 U.S.C. § 1338(b). This suggestion not only overlooks the circumstance that the facts supporting the federal and nonfederal claims in *Lyon* were identical—it also ignores the fact that the court significantly refrained from reversing its prior decision in *French Renovating*, which was later reaffirmed in principle by *Dann*.

B. The Seventh Circuit Decisions

In the Seventh Circuit, the court in *Strey* v. *Devine's, Inc.*, 217 F.2d 187, 189 (7th Cir. 1954) stated:

> ". . . The principle involved is well stated in Landstrom v. Thorpe, 8 Cir., 189 F.2d 46, 51, 26 A.L.R.2d 1170, certiorari denied 342 U.S. 819, 72 S.Ct. 37, 96 L.Ed. 620: '• • • For such a claim to be "related" to a case arising under the trade-mark law within the meaning of the statute "it must appear that both federal and nonfederal causes (of action) *rest upon substantially identical facts.*" French Renovating Co. v. Ray Renovating Co., 6 Cir., 170 F.2d 945, 947; Hurn v. Oursler, 289 U.S. 238, 248, 53 S.Ct. 586, 77 L.Ed. 1148; Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315, 325, 59 S.Ct. 191, 83 L.Ed. 195; Kaplan v. Helenhart Novelty Corporation, 2 Cir., 182 F.2d 311 . . . .'"

Strey was followed by the Seventh Circuit in *Powder Power Tool Corp.* v. *Powder Actuated Tool Co.*, 230 F.2d 409 (7th Cir. 1956) and in *City Messenger of Hollywood* v. *City Bonded Messenger Service*, 254 F.2d 531 (7th Cir. 1958).

District court decisions in the Seventh Circuit, as set forth in Section II, *infra* at 13a-14a, have uniformly adopted the "strict" view.

C. The Eighth Circuit Decisions

The Eighth Circuit expression of the "strict" view of § 1338(b) is set forth in the portion of the decision of that court in *Landstrom* v. *Thorpe*, 189 F.2d 46, 51 (8th Cir. 1951), quoted by the Seventh Circuit in *Strey* v. *Devine's, Inc.*, reproduced above. The authority of *Landstrom* was reaffirmed by the Eighth Circuit in *Fry* v.

Layne-Western Co., 282 F.2d 97 (8th Cir. 1960).[2] In *Fry*, the court said at 99:

> "An action for unfair competition is a common-law cause of action and does not arise under any law of the United States. Under § 1338(b) of 28 U.S.C.A., a claim of unfair competition may be joined with a 'substantial and related claim under the * * * trade-mark laws,' but, to be 'related' to a claim arising under those laws, the unfair competition claim *must rest upon substantially identical facts.* Landstrom v. Thorpe, 8 Cir., 189 F.2d 46, 51, 26 A.L.R.2d 1170, 1177, and cases cited. See, also, Powder Power Tool Corp. v. Powder Actuated Tool Co., Inc., 7 Cir., 230 F.2d 409, 413."

District courts in the Eighth Circuit have paid heed to the pronouncements of the Court of Appeals and applied a "strict" view of the statute, as evidenced by Section II, *infra* at 14a.

In conflict with the Sixth, Seventh, and Eighth Circuits the Second, Fifth, and Ninth Circuits have adopted the "broad" view of pendent jurisdiction under 28 U.S.C. § 1338(b). The limits of such pendent jurisdiction under the "broad" view remain undelineated and appear to vary significantly in these jurisdictions.

D. The Second Circuit Decisions

After passage in 1948 of 28 U.S.C. § 1338(b), the Second Circuit "wrestled long and agonizingly with the jurisdictional relationship problem."[3] For some time that court

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[2] The Eighth Circuit decision in *Iowa Farmers Union* v. *Farmers' Educational and Cooperative Union*, 247 F.2d 809 (8th Cir. 1957), without definition of the scope of § 1338(b), found pendent federal jurisdiction under that statute in a case in which the unfair competition constituted the same acts which gave rise to a claim of infringement of a federally registered trademark.

[3] American Securit Co. v. Shatterproof Glass Corp., 166 F.Supp. 813, 824, n. 5 (D.Del. 1958), *aff'd*, 268 F.2d 769 (3rd Cir. 1959).

adhered to its pre-codification "strict" view of pendent jurisdiction. *Kaplan* v. *Helenhart Novelty Corp.*, 182 F.2d 311 (2d Cir. 1950); *Kleinman* v. *Betty Dain Creations*, 189 F.2d 546 (2d Cir. 1951); and *Algren Watch Findings Co.* v. *Kalinsky*, 197 F.2d 69 (2d Cir. 1952).

During this time period, Judge Clark, who had dissented in *Musher* and other pre-§ 1338(b) decisions of the Second Circuit,[4] continued his campaign for a change in the law by vigorous dissents in those cases construing the statute in which he participated including, particularly, *Kleinman* v. *Betty Dain Creations, supra*

Judge Clark's views ultimately prevailed—the Second Circuit shifted ground to a "broader view" of pendent jurisdiction.

The struggle within the Second Circuit and the ultimate emergence of the "broader view" is summarized by the court in *Maternally Yours* v. *Your Maternity Shop*, 234 F.2d 538 (2d Cir. 1956) as follows at 543:

> "Prior to the enactment of 28 U.S.C. § 1338(b), this Circuit took a *narrow and restrictive view* of the pendent jurisdiction of federal district courts over non-federal claims joined with substantial federal claims. Zalkind v. Scheinman, 2 Cir., 1943, 139 F.2d

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[4] Musher Foundation v. Alba Trading Co., 127 F.2d 9 (2d Cir. 1942); Lewis v. Vendome Bags, 108 F.2d 16 (2d Cir. 1939); Treasure Imports, Inc. v. Henry Amdur & Sons, 127 F.2d 3 (2d Cir. 1942); Zalkind v. Scheinman, 139 F.2d 895 (2d Cir. 1943). Judge Clark's dissents foreshadowed the conflict. Even prior to the statute he contended that the *Hurn* rule should be broadly construed to permit substantial enlargement of pendent jurisdiction over nonfederal claims for unfair competition joined with cases arising under the patent, trademark, and copyright laws. It was Judge Clark's views of *Hurn*, which were ultimately applied by the Second Circuit to the construction of 28 U.S.C. § 1338(b), that spawned the present confusion in the lower federal courts.

895, certiorari denied 322 U.S. 738, 64 S.Ct. 1055, 88 L.Ed. 1572; Treasure Imports v. Henry Amdur & Sons, 2 Cir., 1942, 127 F.2d 3; Musher Foundation v. Alba Trading Co., 2 Cir. 1942, 127 F.2d 9. Virtual identity of proof of the federal and non-federal claim was required. This view persisted even *after* the doctrine of Hurn v. Oursler, 1933, 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148, was included in the 1948 Judicial Code as 28 U.S.C.A. § 1338(b). See Kleinman v. Betty Dain Creations, 2 Cir., 1951, 189 F.2d 546. However, in Telechron, Inc., v. Parissi, 2 Cir., 1952, 197 F.2d 757, it was stated that Schreyer v. Casco Products Corp., 2 Cir., 1951, 190 F.2d 921, certiorari denied 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683, had overruled the Kleinman case, supra. *Thus we are now committed to a broader view of pendent jurisdiction,* at least in those cases involving a substantial federal question under the patent, copyright or trademark laws within 28 U.S.C.A. § 1338(b)."

In *Nikanov* v. *Simon & Schuster, Inc.,* 246 F.2d 501, 505, n. 2 (2d Cir. 1957) the court said:

"This court has taken an increasingly liberal view of the statute, *but apparently has not explicitly held that it goes beyond Hurn v. Oursler.* Maternally Yours, Inc., v. Your Maternity Shop, 2 Cir., 1956, 234 F.2d 538, 543-544. *Perhaps that is what was implicitly announced,* however, in Telechron, Inc., v. Parissi, 2 Cir., 1952, 197 F.2d 757, 759-761 and Schreyer v. Casco Products Corp., 2 Cir., 1951, 190 F.2d 921, 923-924, certiorari denied 1952, 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683. For a discussion of this aspect of the present case, including possible *Constitutional overtones,* see Note, 70 Harv. L. Rev. 1469 (1957)."

The concern of the court over the constitutional consequences of its decision is reflected by the assertion that

it had "not explicitly held" that its "liberal view of the statute . . . goes beyond *Hurn* v. *Oursler.*" Any realistic evaluation of the fact situations involved in the Second Circuit decisions applying the "liberal view" dispels any doubt that the court has gone far beyond *Hurn.*

District courts in the Second Circuit which have adopted a view of the statute, either explicitly or by implication, have unanimously followed the "broad" view, at least since its formal adoption by the Court of Appeals in *Maternally Yours.* See Section II, *infra* at 14a-15a.

E. The Ninth Circuit Decisions

The Ninth Circuit in *Pursche* v. *Atlas Scraper and Engineering Co.,* 300 F.2d 467, 483-4 (9th Cir. 1961), recognized that:

> "There is some *conflict* among the circuits over the construction of the phrase, 'related claim' appearing in this statute; some require that 'both the federal and non-federal causes rest on substantially identical facts,' (Powder Power Tool Corp. v. Power Actuated Tool Co., 230 F.2d 409, 413 (7th Cir. 1956); Landstrom v. Thorpe, 189 F.2d 46 at 51 (8th Cir. 1951)) while others are satisfied if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other. Maternally Yours v. Your Maternity Shop, 234 F.2d 538 at 544 (2d Cir. 1956); Lyon v. Quality Courts United, 249 F.2d 790 at 795 (6th Cir. 1957) . . . .
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> "We conclude that the more liberal construction of this statute exemplified by the Maternally Yours and Lyon decisions better serves to attain the legislative purpose than the more restrictive construction reflected in Landstrom v. Thorpe, supra . . . ."[5]

[5] As indicated, *supra* at 2a, n. 1, the *Pursche* citation of *Lyon* as indicating acceptance by the Sixth Circuit of the "liberal construction" of 28 U.S.C. § 1338(b) is in error.

The same "broad view" of the statute was applied by the Ninth Circuit in *Engelhard Industries, Inc.* v. *Research Instrumental Corp.*, 324 F.2d 347 (9th Cir. 1963).

Still later in *Wham-O-Mfg. Co.* v. *Paradise Mfg. Co.*, 327 F.2d 748, 752, n. 5 (9th Cir. 1964), the Ninth Circuit in construing 28 U.S.C. § 1338(b) stated:

> " . . . The term 'related' refers to probative facts; it means that *part of the proof* in support of one claim be *common* to the other."

In *Ramirez & Feraud Chili Co.* v. *Las Palmas Food Co.*, 146 F.Supp. 594 (S.D.Cal. 1956), which the Ninth Circuit affirmed *per curiam*, 245 F.2d 874 (9th Cir. 1957), the District Court stated at 603:

> "The pendent-jurisdiction statute, 28 U.S.C. § 1338 (b), necessarily presupposes a claim of unfair competition arising otherwise than 'under the copyright, patent or trade-mark laws' since, unless so interpreted, § 1338(b) would confer no jurisdiction additional to that already conferred by § 1338(a) and so would be mere surplusage.
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> "Pendent jurisdiction under § 1338(b) is properly invoked therefore *whenever necessary to sustain federal jurisdiction* of a cause of action for unfair competition arising under state law . . . ."

Additional Court of Appeals cases and district court cases in the Ninth Circuit that have taken a stand on the jurisdictional issue are set forth in Sections IIA and IIB, *infra* at 14a, and at 15a-16a. The great majority of such cases, and all recent ones, have adopted the "broad" view. Those Ninth Circuit cases that have neither explicitly nor implicitly adopted either view are set forth in Section IIC, *infra* at 19a.

F. The Decision Below in the Fifth Circuit

The decision below cast the lot of the Fifth Circuit with those courts that have adopted the "broad" view of pendent federal jurisdiction under 28 U.S.C. § 1338(b). See this petition, *supra* at 12.

It is significant to note that its adoption of the "broad" view of pendent jurisdiction under the statute was a prerequisite to the court's assertion that:

> "At this stage of the case it cannot be said as a matter of law that the claim for patent infringement and that for unfair competition are not related."[6]

Had the court adopted the "strict" view of jurisdiction under 28 U.S.C. § 1338(b), reversal of the District Court and dismissal of respondent's "second cause of action" for misappropriation of alleged trade secrets *after* issuance of the patents in suit necessarily would have followed.

G. The Equivocal Position of the Third Circuit

Initially the Third Circuit followed the "strict" view of pendent jurisdiction under 28 U.S.C. § 1338(b) in *Hook* v. *Hook & Ackerman, Inc.*, 233 F.2d 180 (3d Cir. 1956).

The more recent expression of the Third Circuit in *O'Brien* v. *Westinghouse Electric Corp.*, 293 F.2d 1 (3d Cir. 1961) leaves the position of that court perhaps unclear. In *O'Brien* the court quoted at length from the Second Circuit opinion in *Maternally Yours, Inc.* v. *Your Maternity Shop*, 234 F.2d 538 (2d Cir. 1956).[7] It also cited other Second Circuit decisions supporting the "broad" view including, *Schreyer* v. *Casco Products Corp.*, 190 F.2d 921 (2d Cir. 1951); *Telechron, Inc.* v. *Parissi*, 197

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[6] App. B, *infra* at 27a; 334 F. 2d 770, 773 (5th Cir. 1964).

[7] 293 F.2d 1, 12-13, n. 16.

F.2d 757 (2d Cir. 1952); and Judge Clark's dissent in *Kleinman* v. *Betty Dain Creations,* 189 F.2d 546, 549 (2d Cir. 1951).

[illegible] asserted, however, that:

> "A related claim as used in the statute refers to one which may be proved by substantially the same facts. . . . Virtual identity of proof of the federal and non-federal claims is not required."[8]

The Third Circuit's position was not clarified by *Taussig* v. *Wellington Fund, Inc.,* 313 F.2d 472 (3d Cir. 1963), where it said at 475:

> ". . . [T]his case does not involve the often vexatious question whether the factual basis for federal statutory relief is substantially different from the factual basis of the asserted common-law right or, as the issue is often stated, whether the suit presents a single cause of action. Here, it is clear that essentially the same facts are relevant whatever the liability-creating law may be."

Later district court opinions in the Third Circuit cite *O'Brien* but follow the "strict" view. See *Peterson System, Inc.* v. *Morgan,* 224 F. Supp. 957 (W.D. Pa. 1963); and the later decision in the same case, 228 F. Supp. 744 (W.D. Pa. 1964).

The most recent expression of the Third Circuit does not dispel the equivocal nature of its earlier rulings. It does, however, appear to lean toward the "strict" view. Specifically, in *Family Circle, Inc.* v. *Family Circle Associates, Inc.,* 332 F.2d 534 (3d Cir. 1964), the court said at 536:

> "This court has jurisdiction under the provisions of 28 U.S.C. 1338(b). This was enacted in order that

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[8] 293 F. 2d 1, 12.

it might avoid piecemeal litigation in the enforcement of common-law and statutory copyright, patent and trademark rights by permitting such enforcement in a single civil action in the district court. This enactment was preceded by the Court's decision in Hurn v. Oursler, 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148, wherein it was held that a federal district court might accept jurisdiction of a non-federal issue, such as unfair competition, which is related to a substantial federal issue, one arising under the patent or copyright laws of the United States, if it appears that *both the federal and non-federal issues rest on the same facts.*"

H. Summary

As stated in this petition, *supra* at 10, there is thus a fundamental split in the circuits on the proper scope of federal jurisdiction over nonfederal causes of action joined with patent, trademark and copyright cases under 28 U.S.C. § 1338(b). In this division the Sixth, Seventh and Eighth Circuits have followed the intent of Congress as reflected by the Reviser's Note and construed § 1338(b) as a codification of *Hurn* v. *Oursler*,[9] whereas the Second, Ninth, and now the Fifth, Circuits have adopted a liberal and controversial construction of the statute. The position of the Third Circuit is equivocal.

The "controlling question of law as to which there is substantial ground for difference of opinion,"[10] recognized by both courts below, is of significance far beyond the particulars of this case. It has given rise to an extremely widespread conflict in the lower federal courts and generated confusion as to the applicable law. It is an important question of federal law involving the construction of a federal jurisdictional statute which has not been, but should be, decided by this Court.

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[9] 289 U.S. 238 (1933).

[10] Order of District Court, App. B, *infra* at 21a; R. 52.

II

CASES CONSTRUING 28 U.S.C. § 1338(b)

A. Cases Adopting the Strict View of the Statute

Second Circuit

Langwood Products v. De Luxe Game Corp., 9 F.R.D. 418 (E.D. N.Y. 1949).

Kaufman & Ruderman, Inc. v. Cohn & Rosenberger, Inc., 86 F. Supp. 867 (S.D. N.Y.), *aff'd*, 177 F.2d 849 (2d Cir. 1949).

Kaplan v. Helenhart Novelty Corp., 182 F.2d 311 (2d Cir. 1950).

Steinhardt Novelty Co. v. Arkay Infants Wear, 10 F.R.D. 321 (E.D. N.Y. 1950).

Rockwell Mfg. Co. v. Evans Enterprises, 95 F. Supp. 431 (W.D. N.Y. 1950).

Cutting Room Appliances Corp. v. Empire Cutting Machine Co., 186 F.2d 997 (2d Cir. 1951).

Paramount Industries v. Solar Products Corp., 186 F.2d 999 (2d Cir. 1951).

Kleinman v. Betty Dain Creations, 189 F.2d 546 (2d Cir. 1951).

Caldwell-Clements, Inc. v. McGraw-Hill Publishing Co., 12 F.R.D. 403 (S.D. N.Y. 1952).

Algren Watch Findings Co. v. Kalinsky, 197 F.2d 69 (2d Cir. 1952).

Third Circuit

Darsyn Laboratories v. Lenox Laboratories, 120 F. Supp. 42 (D. N.J. 1954), *aff'd*, 217 F.2d 648 (3d Cir. 1954).

Hook v. Hook & Ackerman, Inc., 213 F.2d 122 (3d Cir. 1954).

L'Aiglon Apparel v. Lana Lobell, Inc., 214 F.2d 649 (3d Cir. 1954).

Hook v. Hook & Ackerman, Inc., 233 F.2d 180 (3d Cir. 1956).

U. S. Chemical Corp. v. Plastic Glass Corp., 142 F. Supp. 840 (D. N.J. 1956), *aff'd*, 243 F.2d 892 (3d Cir. 1957).

American Securit Co. v. Shatterproof Glass Corp., 166 F. Supp. 813 (D. Del. 1958), *aff'd,* 268 F.2d 769 (3d Cir. 1959).

Rohm & Haas Co. v. Chemical Insecticide Corp., 171 F. Supp. 426 (D. Del. 1959).

Old Charter Distillery Co. v. Continental Distilling Corp., 174 F. Supp. 312 (D. Del. 1959).

Taussig v. Wellington Fund, Inc., 187 F. Supp. 179 (D. Del. 1960), *aff'd,* 313 F.2d 472 (3d Cir. 1963).

A. Smith Bowman Distillery, Inc. v. Schenley Distillers, Inc., 198 F. Supp. 822 (D. Del. 1961).

Irvin v. Daniels Company Contractors, Inc., 199 F. Supp. 766 (W.D. Pa. 1961).

Peterson System, Inc. v. Morgan, 224 F. Supp. 957 (W.D. Pa. 1963).

Peterson System, Inc. v. Morgan, 228 F. Supp. 744 (W.D. Pa. 1964).

Sixth Circuit

Allen v. Barr, 93 F. Supp. 589 (E.D. Mich. 1950), *aff'd,* 196 F.2d 159 (6th Cir. 1952).

Huston v. Buckeye Bait Corp., 145 F. Supp. 600 (S.D. Ohio 1955), *aff'd,* 237 F.2d 920 (6th Cir. 1956).

Lyon v. Quality Courts United, 249 F.2d 790 (6th Cir. 1957).

Preformed Line Products Co. v. Fanner Mfg. Co., 225 F. Supp. 762 (N.D. Ohio 1960), *aff'd,* 328 F.2d 265 (6th Cir. 1964).

Tigrett Industries, Inc. v. Top Value Enterprises, Inc., 217 F. Supp. 313 (W.D. Tenn. 1963).

Seventh Circuit

Block v. Plaut, 87 F. Supp. 49 (N.D. Ill. 1949).

Hopkins v. Waco Products, 107 F. Supp. 885 (N.D. Ill. 1952), *aff'd,* 205 F.2d 221 (7th Cir. 1953).

Strey v. Devine's, Inc., 217 F.2d 187 (7th Cir. 1954).

Enger-Kress Co. v. Amity Leather Products Co., 18 F.R.D. 347 (E.D. Wis. 1955) (Statute not specifically cited but strict view adopted).

Powder Power Tool Corp. v. Powder Actuated Tool Co., 230 F.2d 409 (7th Cir. 1956).

City Messenger of Hollywood v. City Bonded Messenger Service, 254 F.2d 531 (7th Cir. 1958).

Lyon v. General Motors Corp., 200 F. Supp. 89 (N.D. Ill. 1961).

Eighth Circuit

Landstrom v. Thorpe, 189 F.2d 46 (8th Cir. 1951).

Frazier Tandem Systems, Inc. v. Hutchens & Son Metal Products, Inc., 110 F.Supp. 260 (S.D. Mo. 1953).

Time, Inc. v. Life Television Corp., 123 F. Supp. 470 (D. Minn. 1954).

Iowa Farmers Union v. Farmers' Educational & Cooperative Union, 247 F.2d 809 (8th Cir. 1957).

Fry v. Layne-Western Co., 282 F.2d 97 (8th Cir. 1960).

Coca-Cola Co. v. Foods, Inc., 220 F. Supp. 101 (D. S.D. 1963).

Ninth Circuit

Silvers v. Russell, 113 F. Supp. 119 (S.D. Cal. 1953).

Falcon Products v. Hollow Rod Sales & Service Co., 135 F. Supp. 91 (S.D. Cal. 1955).

Bar's Leaks Western v. Pollock, 148 F. Supp. 710 (N.D. Cal. 1957).

B. Cases Adopting the Broad View of the Statute

Second Circuit

Schreyer v. Casco Products Corp., 190 F.2d 921 (2d Cir. 1951).

Telechron, Inc. v. Parissi, 197 F.2d 757 (2d. Cir. 1952).

Bucky v. Sebo, 208 F.2d 304 (2d Cir. 1953).

Maternally Yours v. Your Maternity Shop, 234 F.2d 538 (2d Cir. 1956).

Bullock v. Sears Roebuck & Co., 239 F.2d 170 (2d Cir. 1956).

American Visuals Corp. v. Holland, 239 F.2d 740 (2d Cir. 1956).

Nikanov v. Simon & Schuster, Inc., 246 F.2d 501 (2d Cir. 1957).

Bradford Novelty Co. v. Manheim, 156 F. Supp. 489 (S.D. N.Y. 1957).

Scarves By Vera, Inc. v. United Merchants, 173 F. Supp. 625 (S.D. N.Y. 1959).

Barton Candy Corp. v. Tell Chocolate Novelties Corp., 178 F. Supp. 577 (E.D. N.Y. 1959).

Chester Barrie, Ltd. v. The Chester Laurie, Ltd., 189 F. Supp. 98 (1960) (Statute construed by implication).

Travel Magazine, Inc. v. Travel Digest, Inc., 191 F. Supp. 830 (S.D. N.Y. 1961).

Telephonics Corp. v. Lindley & Co., 192 F. Supp. 407 (E.D. N.Y. 1961), *aff'd*, 291 F.2d 445 (2d Cir. 1961).

Wagner v. World Wide Automobiles Corp., 201 F. Supp. 22 (W.D. N.Y. 1961).

Proxite Products, Inc. v. Bonnie Brite Products Corp., 206 F. Supp. 511 (S.D. N.Y. 1962).

Hazel Bishop, Inc. v. Perfemme, Inc., 314 F.2d 399 (2d Cir. 1963).

Platt & Munk Co. v. Republic Graphics, Inc., 315 F.2d 847 (2d Cir. 1963).

Ideal Toy Corp. v. Adanta Novelties Corp., 223 F. Supp. 866 (S.D. N.Y. 1963).

Fifth Circuit

River Brand Rice Mills v. General Foods Corp., 334 F.2d 770 (5th Cir. 1964).

Ninth Circuit

Stauffer v. Exley, 184 F.2d 962 (9th Cir. 1950).

Time, Inc. v. T.I.M.E., Inc., 123 F. Supp. 446 (S.D. Cal. 1954).

Panaview Door and Window Co. v. Van Ness, 135 F. Supp. 253 (S.D. Cal. 1955).

Ramirez & Feraud Chili Co. v. Las Palmas Food Co., 146 F. Supp. 594 (S.D. Cal. 1956), *aff'd*, 245 F.2d 874 (9th Cir. 1957).

Rohr Aircraft Corp. v. Rubber Teck, Inc., 266 F.2d 613 (9th Cir. 1959).

Stiegele v. Bentley & Schibelle Trading Co., 214 F. Supp. 564 (D. Ariz. 1960).

Van Brode Milling Co. v. Cox Air Gauge Systems, Inc., 279 F. 2d 313 (9th Cir. 1960).

Doran v. Sunset House Distributing Corp., 197 F. Supp. 940 (S.D. Cal. 1961), *aff'd*, 304 F.2d 251 (9th Cir. 1962).

Pursche v. Atlas Scraper and Engineering Co., 300 F.2d 467 (9th Cir. 1961).

Caddy-Imler Creations, Inc. v. Caddy, 299 F.2d 79 (9th Cir. 1962).

Bliss v. Gotham Industries, Inc., 316 F. 2d 848 (9th Cir. 1963).

Engelhard Industries, Inc. v. Research Instrumental Corp., 324 F.2d 347 (9th Cir. 1963).

Neal v. Thomas Organ Co., 325 F.2d 978 (9th Cir. 1963).

Wham-O-Mfg. Co. v. Paradise Mfg. Co., 327 F.2d 748 (9th Cir. 1964).

C. Cases Involving the Statute Without Unequivocally Adopting Either the Strict or the Broad View

There are a great many cases falling into this category. The following are representative:

First Circuit

Judson Dunaway Corp. v. Hygienic Products Co., 178 F.2d 461 (1st Cir. 1949).

Esso Standard Oil Co. v. Standard Oil Co. of New England, 170 F. Supp. 71 (D. N.H. 1958).

Progressive Engineering, Inc. v. Machine Craft, Inc., 169 F. Supp. 291 (D. Mass.), *modified on other grounds*, 273 F.2d 593 (1st Cir. 1959).

General Radio Co. v. Superior Electric Co., 293 F.2d 949 (1st Cir. 1961).

Tiffany & Co. v. Boston Club, Inc., 231 F. Supp. 836 (D. Mass. 1964).

Second Circuit

Mandee Fabrics v. Slifka, 97 F. Supp. 187 (S.D. N.Y. 1951).

American Automobile Ass'n v. Spiegel, 205 F.2d 771 (2d Cir. 1953).

Remington Research, Inc. v. Modern Aids, Inc., 170 F. Supp. 7 (S.D. N.Y. 1959).

Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc., 176 F. Supp. 429 (S.D. N.Y. 1959), *rev'd on other grounds*, 281 F.2d 755 (2d Cir. 1960).

Nissen Trampoline Co. v. International Tram-Po-Line Mfrs., 190 F. Supp. 238 (E.D. N.Y. 1960).

Blisscraft of Hollywood v. United Plastics Co., 294 F.2d 694 (2d Cir. 1961).

Atlantic Monthly Co. v. Frederick Ungar Publishing Co., 197 F. Supp. 524 (S.D. N.Y. 1961).

Zandelin v. Maxwell Bentley Mfg. Co., 197 F. Supp. 608 (S.D. N.Y. 1961).

Hygienic Specialties Co. v. H. G. Salzman, Inc., 302 F.2d 614 (2d Cir. 1962).

Dan Kasoff, Inc. v. Gresco Jewelry Co., 204 F. Supp. 694 (S.D. N.Y. 1962), *aff'd*, 308 F.2d 806 (2d Cir. 1962).

Cresci v. Music Publishers Holding Corp., 210 F. Supp. 253 (S.D. N.Y. 1962).

General Controls Co. v. Hi-G, Inc., 212 F. Supp. 152 (D. Conn. 1962).

Jean Patou, Inc. v. Jacqueline Cochran, Inc., 312 F.2d 125 (2d Cir. 1963).

Zippo Mfg. Co. v. Rogers Imports, Inc., 216 F. Supp. 670 (S.D. N.Y. 1963).

Third Circuit

Uniflow Mfg. Co. v. Irac Corp., 185 F.2d 677 (3d Cir. 1950).

Quality Courts United v. Quality Courts, 140 F. Supp. 341 (M.D. Pa. 1956).

Parkway Baking Co. v. Freihofer Baking Co., 255 F.2d 641 (3d Cir. 1958).

O'Brien v. Westinghouse Electric Corp., 293 F.2d 1 (3d Cir. 1961).

Saylor v. Fayette R. Plumb, Inc., 30 F.R.D. 176 (E.D. Pa. 1962).

Surgical Supply Service, Inc. v. Adler, 206 F. Supp. 564 (E.D. Pa. 1962), *rev'd on other grounds,* 321 F.2d 536 (3d Cir. 1963).

Taussig v. Wellington Fund, Inc., 313 F.2d 472 (3d Cir. 1963) (Statute not specifically cited but clearly involved).

Family Circle, Inc. v. Family Circle Associates, Inc., 332 F.2d 534 (3d Cir. 1964).

Fourth Circuit

Carter Products v. Colgate-Palmolive Co., 130 F. Supp. 557 (D. Md. 1955), *aff'd,* 230 F.2d 855 (4th Cir. 1956).

Time, Inc. v. Motor Publications, 131 F. Supp. 846 (D. Md. 1955), *modified on other grounds,* 227 F.2d 954 (4th Cir. 1955).

Stiffel Co. v. Sears, Roebuck & Co., 162 F. Supp. 637 (M.D. N.C. 1958).

Fifth Circuit

Pure Foods, Inc. v. Minute Maid Corp., 214 F.2d 792 (5th Cir. 1954).

J. R. Clark Co. v. Murry Metal Products Co., 114 F. Supp. 224 (S.D. Tex. 1953), *modified on other grounds,* 219 F.2d 313 (5th Cir. 1955).

Faciane v. Starner, 230 F.2d 732 (5th Cir. 1956).

Royal Lace Paper Works v. Pest-Guard Products, 240 F.2d 814 (5th Cir. 1957).

Peterson Bros., Inc. v. Murphy, 205 F. Supp. 432 (S.D. Fla. 1961).

Great Lakes Carbon Corp. v. Continental Oil Co., 219 F. Supp. 468 (W.D. La. 1963).

Sixth Circuit

Cornick v. Stry-Lenkoff Co., 134 F. Supp. 126 (W.D. Ky. 1955).

John P. Dant Distillery Co. v. Schenley Distillers, Inc., 189 F. Supp. 821 (W.D. Ky. 1960), *aff'd*, 297 F.2d 935 (6th Cir. 1962).

Hollister, Inc. v. Tran-Sel, Inc., 223 F. Supp. 141 (E.D. Tenn. 1963).

Gilreath v. Beach, 228 F. Supp. 359 (S.D. Ohio 1964).

Seventh Circuit

Polaroid Corp. v. Polaraid, Inc., 206 F. Supp. 290 (N.D. Ill. 1962), *rev'd on other grounds*, 319 F.2d 830 (7th Cir. 1963).

Ninth Circuit

Pagliero v. Wallace China Co., 198 F.2d 339 (9th Cir. 1952).

Ross-Whitney Corp. v. Smith Kline & French Laboratories, 207 F.2d 190 (9th Cir. 1953).

Columbia Pictures Corp. v. National Broadcasting Co., 137 F. Supp. 348 (S.D. Cal. 1955).

Oriental Foods, Inc. v. Chun King Sales, Inc., 244 F.2d 909 (9th Cir. 1957).

Everlube Corp. of America v. Electrofilm, Inc., 154 F. Supp. 788 (S.D. Cal. 1957), *aff'd*, 265 F.2d 495 (9th Cir. 1959).

Harms, Inc. v. Tops Music Enterprises, 160 F. Supp. 77 (S.D. Cal. 1958).

Kemart Corp. v. Printing Arts Research Lab., Inc., 269 F.2d 375 (9th Cir. 1959).

S. C. Johnson & Son, Inc. v. Drop Dead Co., 201 F. Supp. 442 (S.D. Cal. 1961).

Paul Sachs Originals Co. v. Sachs, 217 F. Supp. 407 (S.D. Cal. 1963), *aff'd*, 325 F.2d 212 (9th Cir. 1963).

DuBarry of Hollywood, Inc. v. Richard Hudnut, 323 F.2d 986 (9th Cir. 1963).

Sunbeam Lighting Co. v. Pacific Associated Lighting, Inc., 328 F.2d 300 (9th Cir. 1964).

APPENDIX B

ORAL OPINION
OF THE
UNITED STATES DISTRICT COURT
FOR THE
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

Civil Action No. 14,623

GENERAL FOODS CORPORATION, *Plaintiff*,

v.

RIVER BRAND RICE MILLS, INC., *Defendant*.

Proceedings

September 27, 1963

The Court:

"Civil Action 14,623, will Counsel come forward, please.

"We had a hearing on the motions pending in this case yesterday, and I will announce my rulings at this time from the bench in open Court.

* * * * * * * * * * *

"The defendant's motion to dismiss the second cause of action which alleges unfair competition and unjust enrichment as pleaded in Paragraphs 12 through 17, inclusive of plaintiff's amended complaint, such motion to dismiss will be denied. It is the opinion of the Court that the meaning of Section 1338B permits the joinder of such a case with a patent suit if such claim is substantial and related. From the allegations of the complaint it appears to be both substantial and related, so the defendant's motion will be denied."

ORDER

OF THE

UNITED STATES DISTRICT COURT

FOR THE

SOUTHERN DISTRICT OF TEXAS

Filed Sept. 27, 1963

(Title Omitted)

On September 26, 1963, came on to be heard defendant's Motion to Dismiss Plaintiff's Second Cause of Action for Unfair Competition; and

It appearing to the Court, after duly considering the motion, the defendant's memoranda in support thereof, plaintiff's memoranda in opposition thereto, and the oral arguments by counsel for the parties that defendant's Motion to Dismiss should be denied;

Therefore, it is Ordered that defendants Motion to Dismiss be, and hereby is, in all respects Denied; and

It further appears to the Court and the Court is of the opinion that this Order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from this Order may materially advance the ultimate termination of this litigation; accordingly, the Court incorporates this statement in its Order to enable defendant to apply to the United States Court of Appeals for the Fifth Circuit for

leave to appeal from this Order under the provisions of 28 USC, section 1292(b).

Entered this 27th day of September, 1963.

JOE INGRAHAM,
Judge.

Approved as to Form:

JACK W. HAYDEN,
Attorney for Plaintiff.

MARCUS B. FINNEGAN,
Attorney for Defendant.

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 21004

RIVER BRAND RICE MILLS, INC., *Appellant,*

versus

GENERAL FOODS CORPORATION, *Appellee.*

Appeal from the United States District Court for the Southern District of Texas

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(July 10, 1964)

Before RIVES and BROWN, Circuit Judges, and GROOMS, District Judge.

GROOMS, District Judge: This is an interlocutory appeal under 28 U.S.C.A. § 1292(b).

Plaintiff-appellee filed suit against the defendant-appellant for infringement of four patents relating to quick-cooking rice. The complaint was amended by the addition of a "Second Cause of Action", claiming the misappro-

priation of trade secrets through the agency of Lawrence Lynn. Lynn was an employee of appellee and thereafter became an employee of appellant. He was made a defendant by the amendment. The trade secrets are alleged to be unpatented improvements on the process.[1]

Appellant contends that lacking diversity the Court is without jurisdiction of the amended claim in that it is not *related* to but is separate and distinct from the claims asserted in the original complaint and, therefore, falls without Section 1338(b) of 28 U.S.C.A.[2]

Appellee contends that its amended claim falls within Section 1338(b); and that in any event it cannot be said, at this stage, and as a matter of law, that the original and amended claims are not *related* within the purview of Section 1338(b).

The trial court overruled the appellant's motion to dismiss.

The disagreement herein stems from the difference between the parties as to the reach of Section 1338(b), and to what extent, if any, it has liberalized the pendent juris-

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[1] In paragraph 13 of the amended complaint it is averred:

"In the course of development of the aforesaid improved process and of commercial production of the aforesaid improved product, plaintiff also acquired much additional unpatented valuable and proprietary information relating to the production of quick-cooking rice and including manufacturing techniques, manufacturing equipment, quality control procedures, marketing data, product specifications, and other related confidential and proprietary information to which plaintiff is exclusively entitled and which plaintiff has preserved and continues to preserve in confidence."

[2] "The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and *related* claim under the copyright, patent or trademark laws. June 25, 1948, c.646, 62 Stat. 931." (Emphasis supplied)

diction rule spelled out in *Hurn v. Oursler,* 289 U.S. 238, 53 S.Ct. 586, 77 L.Ed. 1148.

In *Hurn* the court said that its rule of pendent jurisdiction did "not go so far as to permit a federal court to assume jurisdiction of a *separate and distinct* non-federal cause of action because it [was] joined in the same complaint with a federal cause of action."

In *Royal Lace Paper Works v. Pest-Guard Products,* 240 F.2d 814, this Court observed that *Hurn* was codified in Section 1338(b). But does Section 1338(b) do more than merely codify *Hurn?*

The answer is not found solely in the definition of the word "related"[3] as employed in Section 1338(b) but in the harmonizing of the legislative objective[3a] of the statute with the rule announced in *Hurn* in a manner that will accord recognition to the objective without contravening the rule. The answer is not an easy one.

The attempt on the one hand to precisely equate the "related" claim of Section 1338(b) with the rule in *Hurn* and on the other hand to read into the former an enlargement of the rule has led to the adoption of what Professor Moore refers to as the narrower and broader views of "re-

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[3] Within the context of Section 240(f) of the Revenue Act of 1926 providing for the consolidation of the accounts of "two or more *related* businesses," the court in *Nowland Realty Co.* v. *Commissioner,* 7 Cir. 47 F. 2d 1018, held that: " 'Related' means 'standing in relation; connected; allied; akin.' "

[3a] See Reviser's Note to the section wherein it is stated:

"Subsection (b) is added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent, and trade-mark rights by specifically permitting such enforcement in a single civil action in the district court."

lated". Moore [4] makes the following statement as to Section 1338(b).

> "This subsection stems from *Hurn v. Oursler,* is thoroughly consistent with that case, but goes much further than the facts required the Court to go in that case. Under § 1338(b) there is jurisdiction of the claim of unfair competition when the claim under the copyright, patent or federal trade-mark law is substantial and related to the claim of unfair competition. While some courts have insisted that the latter claim of unfair competition involve essentially identical facts, this view is too restricted. It suffices if there is a real factual or legal relation. If this broad and fair construction of the subsection is applied, it will carry out the revisers' intention 'to avoid *piecemeal* litigation'; and federal jurisdiction to this limited extent has been broadened."

The Seventh Circuit holds [5] that for a claim to be "related", "it must appear that both the federal and non-federal causes rest upon substantially identical facts", and to like effect is the Eighth Circuit case of *Fry* v. *Layne-Western Company,* 282 F. 2d 97.

The Third Circuit in *O'Brien* v. *Westinghouse Electric Corporation,* 293 F. 2d 1, 12, stated that a related claim was one "which may be proved by substantially the same facts," but that "virtual identity of proof" was not required.

The Sixth Circuit in *Lyon* v. *Quality Courts United,* 249 F. 2d 790, held that where the claim of unfair competi-

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[4] *Moore's Federal Practice,* (2d Ed.) Volume 1, par. 0.60, pp. 658, 659.

[5] *Powder Power Tool Corp.* v. *Powder Actuated Tool Co.,* 230 F.2d 409, 413.

tion was "closely related", the federal court had jurisdiction.

In *Pursche* v. *Atlas Scraper and Engineering Co.*, 9 Cir. 300 F. 2d 467,[6] 483 and 484, the court noted the conflict among the Circuits and stated that the more liberal construction, to the effect that "if there exists a 'considerable overlap in their factual basis' and if a substantial amount of the evidence of one claim be relevant to the other," better serves to attain the legislative purpose than the more restrictive construction that requires that both causes rest on "substantially identical facts."[7]

Brown & Root, Inc. v. *Gifford-Hill & Company*, 5 Cir. 319 F. 2d 65, did not involve a Section 1338(b) claim. In applying *Hurn* in that case we held that not only would the federal claim be determined "but others arising from essentially the same facts."

The authorities sustaining the more liberal construction in order to facilitate joinder and avoid piecemeal litigation appear to more nearly meet both the objective of the statute and the rule in *Hurn* than do those applying the narrower view of the word "related". The former view does not in our opinion run counter to the rule in *Hurn* and commends itself to us as being the correct view.[8]

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[6] Cert. denied 371 U.S. 911, 83 S. Ct. 251, 9 L. Ed. 2d 170, rehearing denied 371 U.S. 959, 83 S. Ct. 499, 9 L. Ed. 2d 507.

[7] In *Wham-O-Mfg. Co.* v. *Paradise Manufacturing Co.*, 327 F.2d 748 (decided January 31, 1964), the Ninth Circuit stated that: "The term 'related' refers to probative facts; it means that part of the proof in support of one claim be common to the other."

[8] This conclusion is strengthened by the decision of the Supreme Court in *J. I. Case Company* v. *Borak*, 32 U.S.L. Week 4480 (decided June 8, 1964). Although not a case under Section 1338(b), but one involving a state cause of action based upon diversity claiming a breach of director's fiduciary duty to the stockholders of a corporation joined with a federal cause of action under Section 14(a) of the Securities Exchange Act of 1934, the decision evidences a continuing liberal trend respecting joinder of federal and non-federal claims in a closely related jurisdictional area.

Newport Industries v. *Crosby Naval Stores*, 5 Cir. 139 F. 2d 611, did not involve a secret unpatented improvement.

In *Colgate-Palmolive Company* v. *Carter Products*, 4 Cir. 230 F. 2d 855, 863, the court in an opinion by Judge Parker sustained certain findings of the trial court that the defendant had misappropriated the plaintiff's trade secrets. Among the secrets described in the findings was one which the court found "was not disclosed or claimed" in plaintiff's patent.[9] The award of damages for misappropriation as well as for patent infringement was upheld.

At this stage of the case it cannot be said as a matter of law that the claim for patent infringement and that for unfair competition are not related. We do not know and will not anticipate what the evidence will be on the trial or to what extent, if any, it may show that the claims are related, *Duke* v. *Sun Oil Company*, 5 Cir. 320 F. 2d 853, 866; *Gulf Oil Corporation* v. *Wright*, 5 Cir. 236 F. 2d 46, 53, nor do we state that a full-blown trial is necessary for the determination of that issue. *Carss* v. *Outboard Marine Corporation*, 5 Cir. 252 F. 2d 690, 693. Such determination is for the court below.

The trial court did not err in overruling appellant's motion to dismiss, and its action is

AFFIRMED.

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[9] See *Schreyer* v. *Casco Products Corp.*, 2 Cir. 190 F. 2d 921, where the court sustained a judgment for unfair competition based on the use of confidential information disclosed solely in aid of an abortive attempt to negotiate a license agreement, though the court denied recovery for the alleged patent infringement. See also *O'Brien* v. *Westinghouse Electric Corporation*, *supra*, at 13, where the court said:

> "Aside from the issue of chronological identity it is clear that a claim for unfair competition based on the misappropriation of a novel idea given in confidence is related to a claim for patent infringement under 28 U.S.C.A. § 1338(b)."

UNITED STATES COURT OF APPEALS

FOR THE FIFTH CIRCUIT

October Term, 1963

No. 21004

D. C. Docket No. 14,623

RIVER BRAND RICE MILLS, INC., *Appellant,*

versus

GENERAL FOODS CORPORATION, *Appellee.*

Appeal from the United States District Court for the Southern District of Texas

Before RIVES and BROWN, Circuit Judges, and GROOMS, District Judge.

Judgment

This cause came on to be heard on the transcript of the record from the United States District Court for the Southern District of Texas, and was argued by counsel;

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be, and the same is hereby, affirmed;

It is further ordered and adjudged that the appellant, River Brand Rice Mills, Inc., be condemned to pay the costs of this cause in this Court for which execution may be issued out of the said District Court.

July 10, 1964

Issued as Mandate: